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AMENDED IN SENATE MAY 31, 2011

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AMENDED IN SENATE MARCH 22, 2011

AMENDED IN SENATE MARCH 10, 2011

SENATE BILL

No. 186

Introduced by Senators Kehoe and DeSaulnier

(Principal coauthor: Assembly Member Alejo)

(Coauthor: Assembly Member Lara)

February 7, 2011

An act to *amend Sections 12463, 53890, and 53895 of, to amend, repeal, and add Section 12464 of, to add Article 6 (commencing with Section 12485) to Chapter 5 of Part 2 of Division 3 of Title 2 of, and to repeal Sections 53892.1, 53895.5, and 53895.7 of, the Government Code, relating to the Controller.*

LEGISLATIVE COUNSEL'S DIGEST

SB 186, as amended, Kehoe. The Controller.

(1) Existing law requires the officer of each local agency who has charge of the financial records of the agency to furnish to the Controller a report of all the financial transactions of the local agency during the next preceding fiscal year within 90 days of the close of each fiscal year, as specified. Existing law defines local agency, for purposes of these financial reports to mean any city, county, district, and specified community redevelopment agencies.

This bill would also include within the definition of local agency any joint powers agency, formed pursuant to the Joint Exercise of Powers

Act, that issues conduit revenue bonds, and would require that joint powers agency to furnish the Controller with the required financial reports.

(2) Existing law requires the Controller to annually compile and publish reports of the financial transactions of each county, city, and school district within the state, together with other matters he or she deems of public interest.

This bill would additionally require the Controller to annually compile and publish reports of the financial transactions of each joint powers agency that issues conduit revenue bonds.

Existing

(3) Existing law provides that if the county, city, or district reports are not made in a specified manner, or there is reason to believe that the report is false, the Controller is required to appoint a qualified accountant to make an investigation and to obtain the information required for the annual report of financial transactions. Existing law provides that if a similar investigation is made of any county, city, or district for 2 successive years, then a copy of the results of those investigations shall be transmitted to the grand jury of the county investigated or in which the local agency investigated is situated. Existing law requires any costs incurred by the Controller in carrying out those audits to be paid by the local agency.

This bill would expand the above provisions to also include a special district, joint powers authority, or redevelopment agency. This bill would also, until January 1, 2017, authorize the Controller to exercise discretionary authority to perform an audit or investigation of any county, city, special district, joint powers authority, or redevelopment agency, if the Controller has reason to believe, supported by documentation, that the local agency is not complying with the financial requirements in state law, grant agreements, local charters, or local ordinances. This bill would require, until January 1, 2017, the Controller to prepare a report of the results of the audit or investigation and to file a copy with the local legislative body. This bill would require that, until January 1, 2017, if the results of those audits determine that the financial report filed by the local agency did not contain false, incomplete, or incorrect information, then the Controller shall waive the costs of the investigation, and would authorize the Controller to establish a payment program to assist a local agency to pay for any costs that cannot be waived.

This bill would additionally authorize the Controller, if requested by a local agency, to conduct a preliminary review to determine the existence of a local agency financial problem, and perform an audit upon completion of that review, subject to specified criteria.

The bill would require the Controller, if requested by a local agency, to convene a local agency financial review committee with a specified membership, and authorize the committee to recommend a financial recovery plan for a local agency requesting assistance. The bill would require the Controller to report to the Legislature annually on the actions of a committee formed pursuant to this act and the status of all engagements with local agencies pursuant to this act.

(4) Existing law provides that an officer of a local agency who fails or refuses to make and file his or her financial report within 20 days after receipt of a written notice of the failure from the Controller forfeits to the state a specified amount depending on the amount of total revenue of that local agency. Existing law raises these amounts in the case of a community redevelopment agency and a joint powers agency that issues conduit revenue bonds in the 2nd and 3rd consecutive year.

This bill would raise the forfeiture amounts for all local agencies, as specified. The bill would double these fines if the agency fails to submit the report to the Controller for 2 consecutive years, and would triple the fines if the agency fails to submit the report to the Controller for 3 consecutive years. The bill would also require the Controller to conduct an audit, as specified, of the local agency if the local agency fails to provide the financial reports for 3 consecutive years.

(5) Existing law requires the Superintendent of Public Instruction to make available to the Controller, on an as-needed basis, data and other matters required to permit the compilation of the financial transactions of school districts by the Controller.

This bill would repeal this provision.

Vote: majority. Appropriation: no. Fiscal committee: yes.
State-mandated local program: no.

The people of the State of California do enact as follows:

- 1 *SECTION 1. The Legislature finds and declares all of the*
- 2 *following:*
- 3 *(a) The economic recession has disproportionately affected*
- 4 *California and, in particular, the local agencies that deliver vital*
- 5 *services to the public. Many local agencies have been forced to*

1 *take unprecedented steps to avert financial crisis and maintain a*
2 *sound credit rating.*

3 *(b) California has a vital financial interest in the solvency of*
4 *its local agencies. When insolvency occurs at a local agency, the*
5 *municipal credit in the state can be negatively impacted, costing*
6 *the state and local governments millions of dollars, making*
7 *borrowing more difficult, and hindering the state's economic*
8 *recovery.*

9 *(c) The health and welfare of the citizens of the state would be*
10 *adversely affected by the insolvency of local agencies. Therefore,*
11 *the fiscal health of local agencies is vitally necessary to the*
12 *interests of this state in providing necessary governmental services.*

13 *SEC. 2. Section 12463 of the Government Code is amended to*
14 *read:*

15 12463. (a) The Controller shall compile and publish reports
16 of the financial transactions of each county, city, ~~and~~ special
17 district, *or joint powers agency formed pursuant to the Joint*
18 *Exercise of Powers Act (Article 1 (commencing with Section 6500)*
19 *of Chapter 5 of Division 7 of Title 1) that issues conduit revenue*
20 *bonds, respectively, within this state, together with any other matter*
21 *he or she deems of public interest. The reports shall include the*
22 *appropriations limits and the total annual appropriations subject*
23 *to limitation of the counties, cities, and special districts. The reports*
24 *to the Controller shall be made in the time, form, and manner*
25 *prescribed by the Controller.*

26 (b) Effective January 1, 2005, the Controller shall compile and
27 publish reports of the financial transactions of each county, city,
28 and special district, *or joint powers agency formed pursuant to the*
29 *Joint Exercise of Powers Act (Article 1 (commencing with Section*
30 *6500) of Chapter 5 of Division 7 of Title 1) that issues conduit*
31 *revenue bonds, pursuant to subdivision (a) on or before August 1,*
32 *September 1, and October 1 respectively, of each year following*
33 *the end of the annual reporting period. The Controller shall make*
34 *data collected pursuant to this subdivision available upon request*
35 *to the Legislature and its agents, on or before April 1 of each year.*

36 (c) The Controller shall annually publish reports of the financial
37 transactions of each school district within this state, together with
38 any other matter he or she deems of public interest. The reports
39 shall include the appropriations limit and the total annual
40 appropriations subject to limitation of the school district. The

1 reports to the Controller shall be made in the time, form, and
2 manner prescribed by the Controller.

3 (d) As used in this section, the following terms have the
4 following meanings:

5 (1) “School district” means a school district as defined in Section
6 80 of the Education Code.

7 (2) “Special district” means ~~any~~ *either* of the following:

8 (A) A special district as defined in Section 95 of the Revenue
9 and Taxation Code.

10 ~~(B) A commission provided for by a joint powers agreement~~
11 ~~pursuant to Chapter 5 (commencing with 6500) of Division 7 of~~
12 ~~Title 1.~~

13 ~~(C)~~

14 (B) A nonprofit corporation that is any of the following:

15 (i) Was formed in accordance with the provisions of a joint
16 powers agreement to carry out functions specified in the agreement.

17 (ii) Issued bonds, the interest on which is exempt from federal
18 income taxes, for the purpose of purchasing land as a site for, or
19 purchasing or constructing, a building, stadium, or other facility,
20 that is subject to a lease or agreement with a local public entity.

21 (iii) Is wholly owned by a public agency.

22 ~~SECTION 1.~~

23 *SEC. 3.* Section 12464 of the Government Code is amended
24 to read:

25 12464. (a) If the county, city, special district, joint powers
26 authority, or redevelopment agency reports are not made in the
27 time, form, and manner required or there is reason to believe that
28 a report is false, incomplete, or incorrect, the Controller shall
29 appoint a qualified accountant to make an investigation and to
30 obtain the information required. The accountant appointed shall
31 report to the Controller the results of the investigation, and a copy
32 shall be filed with the legislative body of the county, city, special
33 district, joint powers authority, or redevelopment agency, the
34 accounts of which were investigated. If a similar investigation has
35 to be made of the accounts of any county, city, special district,
36 joint powers authority, or redevelopment agency, for two
37 successive years, a certified copy of the results of the investigation
38 last made shall be transmitted to the grand jury of the county that
39 was investigated or in which the local agency investigated is

1 situated, or, if the agency is situated in more than one county, in
2 the county in which any portion of the agency is situated.

3 (b) (1) If the Controller has reason to believe that any county,
4 city, special district, joint powers authority, or redevelopment
5 agency is not complying with the financial requirements in state
6 law, local charters, or local ordinances, he or she may perform an
7 audit or investigation of the issue *if he or she makes a*
8 *determination that sufficient funds exist to conduct the audit or*
9 *investigation.* ~~The basis for the decision to conduct an audit or~~
10 ~~investigation shall be supported by credible documentation,~~
11 ~~including input from the local agency, as well as a determination~~
12 ~~by the Controller that sufficient funds are made available to conduct~~
13 ~~the audit or investigation. The Controller shall prepare a report of~~
14 ~~the results of the audit or investigation that shall include~~
15 ~~documentation used as the basis for the decision to perform the~~
16 ~~audit or investigation. A copy of the report shall be filed with the~~
17 ~~legislative body of the county, city, special district, joint powers~~
18 ~~authority, or redevelopment agency, subject to the audit or~~
19 ~~investigation. Any finding of illegal acts or fraud shall be~~
20 ~~communicated to the appropriate authorities, including the county~~
21 ~~grand jury.~~

22 (2) *The Controller shall prepare a report of the results of the*
23 *audit or investigation that shall include documentation used as*
24 *the basis for the decision to perform the audit or investigation. A*
25 *copy of the report shall be filed with the legislative body of the*
26 *county, city, special district, joint powers authority, or*
27 *redemption agency subject to the audit or investigation. Any*
28 *finding of illegal acts or fraud shall be communicated to the*
29 *appropriate authorities, including the county grand jury.*

30 (c) (1) *The basis for the decision to conduct an audit or*
31 *investigation under subdivision (a) or (b) shall be supported by*
32 *credible documentation, including input from the local agency.*

33 (2) For purposes of this subdivision, documentation means any
34 handwriting, typewriting, printing, photostating, photographing,
35 photocopying, transmitting by electronic mail or facsimile, and
36 every other means of recording upon any tangible thing any form
37 of communication or representation, including letters, words,
38 pictures, sounds, or symbols, or combinations thereof, and any
39 record thereby created, regardless of the manner in which the
40 record has been stored.

1 ~~(e)~~

2 ~~(d) (1)~~ Any costs incurred by the Controller pursuant to
3 ~~subdivisions subdivision (a) and (b)~~, including contracts with, or
4 employment of, certified public accountants or public accountants,
5 in compiling a financial report pursuant to Section 12463 or
6 12463.3 of this code, or as required by Section 33684 of the Health
7 and Safety Code, shall be borne by the county, city, special district,
8 joint powers authority, or redevelopment agency, and shall be a
9 charge against any unencumbered funds of the county, city, special
10 district, joint powers authority, or redevelopment agency. Any
11 forfeiture imposed by Section 53895 or 53895.5 may be offset up
12 to the total costs incurred by the Controller. Any remaining balance
13 shall be forfeited in accordance with Sections 53895 and 53895.5.
14 Any costs incurred by the Controller in excess of the forfeiture
15 imposed shall be a charge against any unencumbered funds of the
16 county, city, special district, joint powers authority, or
17 redevelopment agency.

18 ~~(2)~~ *If an investigation conducted pursuant to subdivision (a)*
19 *determines that the financial report filed by the county, city, special*
20 *district, joint powers authority, or redevelopment agency did not*
21 *contain false, incomplete, or incorrect information, the Controller*
22 *shall waive the costs of the investigation. The Controller may*
23 *establish a payment program, with interest, for up to five years to*
24 *assist a local agency to pay for the costs that cannot be waived.*

25 ~~(d)~~

26 ~~(e)~~ This section shall remain in effect only until January 1, 2017,
27 and as of that date is repealed, unless a later enacted statute, that
28 is enacted before January 1, 2017, deletes or extends that date.

29 ~~SEC. 2.~~

30 ~~SEC. 4.~~ Section 12464 is added to the Government Code, to
31 read:

32 12464. (a) If the county, city, special district, joint powers
33 authority, or redevelopment agency reports are not made in the
34 time, form, and manner required or there is reason to believe that
35 a report is false, incomplete, or incorrect, the Controller shall
36 appoint a qualified accountant to make an investigation and to
37 obtain the information required. The accountant appointed shall
38 report to the Controller the results of the investigation, and a copy
39 shall be filed with the legislative body of the county, city, special
40 district, joint powers authority, or redevelopment agency, the

1 accounts of which were investigated. If a similar investigation has
2 to be made of the accounts of any county, city, special district,
3 joint powers authority, or redevelopment agency, for two
4 successive years, a certified copy of the results of the investigation
5 last made shall be transmitted to the grand jury of the county that
6 was investigated or in which the local agency investigated is
7 situated, or, if the agency is situated in more than one county, in
8 the county in which any portion of the agency is situated.

9 (b) Any costs incurred by the Controller pursuant to subdivision
10 (a), including contracts with, or employment of, certified public
11 accountants or public accountants, in compiling a financial report
12 pursuant to Section 12463 or 12463.3 of this code, or as required
13 by Section 33684 of the Health and Safety Code, shall be borne
14 by the county, city, special district, joint powers authority, or
15 redevelopment agency, and shall be a charge against any
16 unencumbered funds of the county, city, special district, joint
17 powers authority, or redevelopment agency. Any forfeiture imposed
18 by Section 53895 or 53895.5 may be offset up to the total costs
19 incurred by the Controller. Any remaining balance shall be forfeited
20 in accordance with Sections 53895 and 53895.5. Any costs incurred
21 by the Controller in excess of the forfeiture imposed shall be a
22 charge against any unencumbered funds of the county, city, special
23 district, joint powers authority, or redevelopment agency.

24 (c) This section shall become operative on January 1, 2017.

25 *SEC. 5. Article 6 (commencing with Section 12485) is added*
26 *to Chapter 5 of Part 2 of Division 3 of Title 2 of the Government*
27 *Code, to read:*

28
29 *Article 6. Local Agency Financial Review and Assistance*
30

31 *12485. (a) The Controller may conduct a preliminary review*
32 *to determine the existence of a local agency financial problem if*
33 *the governing body, chief administrative officer, or chief executive*
34 *of a local agency requests a preliminary review under this section.*
35 *The request shall be in writing and shall identify the existing fiscal*
36 *conditions that make the request necessary.*

37 *(b) The local agency shall reimburse the Controller for any*
38 *costs incurred by the Controller in conducting a preliminary*
39 *review. The Controller shall establish a payment schedule of up*
40 *to five years, with interest.*

1 (c) *The local agency shall make its books and records available*
2 *to the Controller for the purpose of conducting a preliminary*
3 *review pursuant to this section.*

4 (d) *In conducting a preliminary review pursuant to this section,*
5 *the Controller shall meet with local agency officials to receive,*
6 *discuss, and consider information provided by the local agency*
7 *concerning the agency's financial condition.*

8 (e) *The Controller shall provide written notification to the*
9 *Governor and the Legislature within 120 days after beginning a*
10 *preliminary review pursuant to this section if the review has*
11 *determined that one or more conditions indicative of a financial*
12 *problem exist within the local agency. A condition indicative of a*
13 *financial problem may include, but is not limited to, the following:*

14 (1) *A default in the payment of principal or interest upon bonded*
15 *indebtedness for which no funds, or insufficient funds, are on hand*
16 *and segregated in a special trust fund.*

17 (2) *Failure for a period of 30 days or more beyond the due date*
18 *to transfer one or more of the following to the appropriate agency:*

19 (A) *Taxes withheld on the income of employees.*

20 (B) *Taxes collected by the local agency as agent for another*
21 *governmental entity or taxing authority.*

22 (C) *Any contribution required by a pension, retirement, or*
23 *benefit plan.*

24 (3) *Failure for a period of 30 days or more to pay wages and*
25 *salaries or other compensation or benefits owed to local agency*
26 *employees or retirees.*

27 (4) *The total amount of accounts payable for the current fiscal*
28 *year, as determined by the financial records of the local agency,*
29 *is in excess of 10 percent of the total expenditures of the local*
30 *agency in that fiscal year.*

31 (5) *Failure to eliminate an existing deficit in any fund of the*
32 *local agency within the two-year period preceding the end of the*
33 *local agency's fiscal year for which a preliminary review was*
34 *conducted.*

35 (6) *Projection of a deficit in the general fund of the local agency*
36 *for the current fiscal year in excess of 10 percent of the budgeted*
37 *revenues for the general fund.*

38 (7) *Material defects in financial reporting and transactions*
39 *have been identified through an audit conducted by the Bureau of*
40 *State Audits or the Controller.*

1 12486. (a) At the written request of the governing body, chief
2 administrative officer, or chief executive of a local agency, the
3 Controller may convene a local agency financial review committee
4 to provide assistance to local agencies that seek help in averting
5 or managing a serious financial problem.

6 (b) The request shall include a description of the factors that
7 support the existence of the serious financial problem. These
8 factors may include, but are not limited to, the following:

9 (1) Material defects in financial reporting and transactions
10 have been identified through an audit conducted by the Bureau of
11 State Audits or the Controller.

12 (2) An expectation that one or more of the following payments
13 will not be made in full or in a timely manner:

14 (A) The minimum payment required to be made to the
15 employees' pension fund.

16 (B) The minimum payment to bondholders.

17 (C) The required payment of salaries and wages to employees
18 of the local agency.

19 (D) The required distribution of local tax revenues to state and
20 local agencies.

21 (E) The payments to private or nonprofit organizations that are
22 required to provide services under programs funded with state
23 funds.

24 (c) The Controller shall provide written notification to the
25 Department of Finance and the Treasurer when a review is
26 initiated pursuant to this section.

27 (d) The local agency shall reimburse the Controller for any
28 costs incurred by the Controller in conducting a review pursuant
29 to this section. The Controller may establish a payment program
30 for up to five years, with interest.

31 (e) A committee shall be chaired by the Controller and include
32 representatives of the Treasurer and the Department of Finance.

33 (f) The Controller shall utilize the services of a consultant that
34 has extensive financial management and accounting experience
35 with local agencies in the state to assist the Controller in
36 evaluating and assisting local agencies that are undergoing or
37 facing a financial problem.

38 (g) In consultation with the local agency requesting assistance,
39 and using any applicable data from a preliminary review conducted
40 pursuant to this article if a preliminary review has occurred, the

1 *local agency financial review committee shall recommend a*
2 *financial recovery plan for the local agency. The financial recovery*
3 *plan shall consider both of the following:*

4 *(1) Conducting the operations of the local agency within the*
5 *resources available according to the data provided by the local*
6 *agency.*

7 *(2) The payment in full of the scheduled debt service*
8 *requirements on all bonded and other indebtedness and other*
9 *uncontested legal obligations of the local agency.*

10 *(h) Assistance provided pursuant to this section shall not include*
11 *direct financial payments or loans to local agencies that are not*
12 *otherwise authorized by statute.*

13 *(i) The Controller shall report to the Legislature, no later than*
14 *June 30, 2013, and annually thereafter, on the actions of a local*
15 *agency financial review and the status of all engagements with*
16 *local agencies pursuant to this section.*

17 *12487. For purposes of this article, “local agency” means a*
18 *city, county, city and county, special district, or redevelopment*
19 *agency.*

20 *SEC. 6. Section 53890 of the Government Code is amended to*
21 *read:*

22 *53890. As used in this article, “local agency” means any a city,*
23 *a county, any a district, and any a community redevelopment*
24 *agency required to furnish financial reports pursuant to Section*
25 *12463.1 or 12463.3, and a joint powers agency formed pursuant*
26 *to the Joint Exercise of Powers Act (Article 1 (commencing with*
27 *Section 6500) of Chapter 5 of Division 7 of Title 1) that issues*
28 *conduit revenue bonds.*

29 *SEC. 7. Section 53892.1 of the Government Code is repealed.*

30 ~~*53892.1. For the purpose of permitting the compilation of the*~~
31 ~~*financial transactions of school districts by the Controller, the*~~
32 ~~*Superintendent of Public Instruction shall make available to the*~~
33 ~~*Controller, on an as-needed basis, data and other matters required*~~
34 ~~*by this article by the Controller. The Superintendent shall derive*~~
35 ~~*the data and other matters required for purposes of this article by*~~
36 ~~*the Controller from reports furnished by school districts or by*~~
37 ~~*county officials to the Superintendent as provided by law. No*~~
38 ~~*school district or county superintendent of schools shall be required*~~
39 ~~*to furnish separate reports to the Controller by the provisions of*~~
40 ~~*this article. The Superintendent shall furnish average daily*~~

1 attendance or enrollment data in lieu of the general population data
2 required of counties and other municipal corporations by this
3 article. The Superintendent shall add to the report forms furnished
4 by him or her items or other matters as may be agreed by the
5 Superintendent and the Controller to be needed for the purposes
6 of this article.

7 *SEC. 8. Section 53895 of the Government Code is amended to*
8 *read:*

9 53895. (a) An officer of a local agency who fails or refuses to
10 make and file his or her report within 20 days after receipt of a
11 written notice of the failure from the Controller shall forfeit to the
12 state:

13 (1) ~~One~~ *Two* thousand five hundred dollars, ~~(\$1,000)~~ (\$2,500)
14 in the case of a local agency with total revenue, in the prior year,
15 of less than one hundred thousand dollars (\$100,000), as reported
16 in the Controller's annual financial reports.

17 (2) ~~Two~~ *Five* thousand five hundred dollars ~~(\$2,500)~~ (\$5,500)
18 in the case of a local agency with total revenue, in the prior year,
19 of at least one hundred thousand dollars (\$100,000) but less than
20 two hundred fifty thousand dollars (\$250,000), as reported in the
21 Controller's annual financial reports.

22 (3) ~~Five~~ *Ten* thousand dollars ~~(\$5,000)~~ (\$10,000) in the case of
23 a local agency with total revenue, in the prior year, of at least two
24 hundred fifty thousand dollars (\$250,000), as reported in the
25 Controller's annual financial reports.

26 (b) (1) Upon the request of the Controller, the Attorney General
27 shall prosecute an action for the forfeiture in the name of the people
28 of the State of California.

29 (2) Upon a satisfactory showing of good cause, the Controller
30 may waive the penalties for late filing provided in this section.

31 (c) *If an officer of a local agency fails or refuses to make and*
32 *file his or her report within 20 days after receipt of a written notice*
33 *pursuant to subdivision (a) for two consecutive years, the forfeiture*
34 *or fine assessed pursuant to paragraphs (1), (2), and (3) of*
35 *subdivision (a) in the second year shall be doubled.*

36 (d) (1) *If an officer of a local agency fails or refuses to make*
37 *and file his or her report within 20 days after receipt of a written*
38 *notice pursuant to subdivision (a) for three consecutive years, the*
39 *forfeiture or fine assessed pursuant to paragraphs (1), (2), and*
40 *(3) of subdivision (a) in the third year shall be tripled. The*

1 *Controller shall also conduct or cause to be conducted an*
2 *independent financial audit report. In the case of a community*
3 *redevelopment agency, the audit report shall be consistent with*
4 *the requirements of Section 33080.1 of the Health and Safety Code,*
5 *and in the case of a joint powers agency, the audit report shall be*
6 *consistent with Section 6505. The agency shall reimburse the*
7 *Controller for the cost of complying with this subdivision.*

8 *(2) A redevelopment agency shall not use any of the funds in*
9 *the Low and Moderate Income Housing Fund to fund any forfeiture*
10 *or fine assessed pursuant to this section.*

11 *(e) An agency that makes a forfeiture or payment pursuant to*
12 *this section shall still file the report required pursuant to Section*
13 *53891.*

14 *SEC. 9. Section 53895.5 of the Government Code is repealed.*

15 ~~53895.5. (a) An officer of a community redevelopment agency~~
16 ~~who fails or refuses to make and file his or her report within 20~~
17 ~~days after receipt of a written notice of the failure from the~~
18 ~~Controller shall forfeit to the state:~~

19 ~~(1) One thousand dollars (\$1,000) in the case of a community~~
20 ~~redevelopment agency with total revenue, in the prior year, of less~~
21 ~~than one hundred thousand dollars (\$100,000), as reported in the~~
22 ~~Controller's annual financial reports:~~

23 ~~(2) Two thousand five hundred dollars (\$2,500) in the case of~~
24 ~~a community redevelopment agency with total revenue, in the prior~~
25 ~~year, of at least one hundred thousand dollars (\$100,000), but less~~
26 ~~than two hundred fifty thousand dollars (\$250,000), as reported~~
27 ~~in the Controller's annual financial reports:~~

28 ~~(3) Five thousand dollars (\$5,000) in the case of a community~~
29 ~~redevelopment agency with total revenue, in the prior year, of at~~
30 ~~least two hundred fifty thousand dollars (\$250,000), as reported~~
31 ~~in the Controller's annual financial reports:~~

32 ~~(b) An officer of a community redevelopment agency who fails~~
33 ~~or refuses to make and file his or her report within 20 days after~~
34 ~~receipt of a written notice of the failure from the Controller in the~~
35 ~~second or more consecutive year shall forfeit to the state:~~

36 ~~(1) Two thousand dollars (\$2,000) in the case of a community~~
37 ~~redevelopment agency with total revenue, in the prior year, of less~~
38 ~~than one hundred thousand dollars (\$100,000), as reported in the~~
39 ~~Controller's annual financial reports:~~

~~(2) Five thousand dollars (\$5,000) in the case of a community redevelopment agency with total revenue, in the prior year, of at least one hundred thousand dollars (\$100,000), but less than two hundred fifty thousand dollars (\$250,000), as reported in the Controller's annual financial reports.~~

~~(3) Ten thousand dollars (\$10,000) in the case of a community redevelopment agency with total revenue, in the prior year, of at least two hundred fifty thousand dollars (\$250,000), as reported in the Controller's annual financial reports.~~

~~(e) In the case of a community redevelopment agency that fails or refuses to make and file its report within 20 days after receipt of a written notice of the failure from the Controller in the third or more consecutive year, the Controller shall conduct or cause to be conducted an independent financial audit report consistent with the requirements of Section 33080.1 of the Health and Safety Code. The community redevelopment agency shall reimburse the Controller for the cost of complying with this subdivision. The community redevelopment agency shall not use any of the funds in the Low and Moderate Income Housing Fund to reimburse the Controller.~~

~~(d) (1) Upon the request of the Controller, the Attorney General shall prosecute an action for the forfeiture in the name of the people of the State of California.~~

~~(2) Upon a satisfactory showing of good cause, the Controller may waive the penalties for late filing provided in this section.~~

~~(e) A community redevelopment agency that makes a forfeiture or payment pursuant to this section shall still file the report required pursuant to Section 53891.~~

SEC. 10. Section 53895.7 of the Government Code is repealed.

~~53895.7. (a) For the purpose of this section, "agency" means any agency or entity formed pursuant to the Joint Exercise of Powers Act (Article 1 (commencing with Section 6500) of Chapter 5 of Division 7 of Title 1) that issues conduit revenue bonds.~~

~~(b) An officer of an agency who fails or refuses to make and file his or her report pursuant to this article within 20 days after receipt of a written notice of the failure from the Controller shall forfeit to the state:~~

~~(1) One thousand dollars (\$1,000) in the case of an agency with total revenue, in the prior year, of less than one hundred thousand~~

dollars (\$100,000), as reported in the Controller's annual financial reports.

~~(2) Two thousand five hundred dollars (\$2,500) in the case of an agency with total revenue, in the prior year, of at least one hundred thousand dollars (\$100,000), but less than two hundred fifty thousand dollars (\$250,000), as reported in the Controller's annual financial reports.~~

~~(3) Five thousand dollars (\$5,000) in the case of an agency with total revenue, in the prior year, of at least two hundred fifty thousand dollars (\$250,000), as reported in the Controller's annual financial reports.~~

~~(e) An officer of an agency who fails or refuses to make and file his or her report within 20 days after receipt of a written notice of the failure from the Controller in the second or more consecutive year shall forfeit to the state:~~

~~(1) Two thousand dollars (\$2,000) in the case of an agency with total revenue, in the prior year, of less than one hundred thousand dollars (\$100,000), as reported in the Controller's annual financial reports.~~

~~(2) Five thousand dollars (\$5,000) in the case of an agency with total revenue, in the prior year, of at least one hundred thousand dollars (\$100,000), but less than two hundred fifty thousand dollars (\$250,000), as reported in the Controller's annual financial reports.~~

~~(3) Ten thousand dollars (\$10,000) in the case of an agency with total revenue, in the prior year, of at least two hundred fifty thousand dollars (\$250,000), as reported in the Controller's annual financial reports.~~

~~(d) In the case of an agency that fails or refuses to make and file its report within 20 days after receipt of a written notice of the failure from the Controller in the third or more consecutive year, the Controller shall conduct, or cause to be conducted, an independent financial audit report consistent with the requirements of Section 6505. The agency shall reimburse the Controller for the cost of complying with this subdivision.~~

~~(e) (1) Upon the request of the Controller, the Attorney General shall prosecute an action for the forfeiture in the name of the people of the State of California.~~

~~(2) Upon a satisfactory showing of good cause, the Controller may waive the penalties for late filing provided in this section.~~

1 ~~(f) An agency that makes a forfeiture or payment pursuant to~~
2 ~~this section shall still file the report required pursuant to Section~~
3 ~~53891.~~

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